



## Public Utilities Commission Critical to State Economy Responsibility for Essential Services Vital in Challenging Economic Times

December 2003

### Building Infrastructure and Competition

Energy, telecommunications, water, transportation: California's economy depends on the infrastructure the PUC and utilities provide. Key projects/issues the PUC has completed or is responsible for:

- Since January 2001, 111 electric utility transmission projects have been completed, adding a total of 11,000 megawatts (MW) of capacity. The PUC is currently reviewing another 120 projects.
- Ensuring power plants (including merchant generator-owned plants) keep running.
- Approved long-term electricity contracts for 664 MW of renewable generation since August 2002.
- Funding water filtration and desalinization plants to ensure reliable, adequate water supply.
- Funding water treatment plants to ensure removal of damaging bacterial and carcinogenic contaminants.
- Continuously monitoring natural gas prices and trends for signs of market manipulation. Approving new natural gas storage facilities and upgrades to existing facilities so that more natural gas can be stored in California rather than bought on the spot market when prices may be higher.
- Evaluating, from a statewide perspective, the public interest in funding natural gas infrastructure expansion, including Liquefied Natural Gas (LNG) development.
- Reviewing the rates of specific telephone network facilities SBC and Verizon lease to competitive carriers so the carriers can offer their own services.
- Approving and monitoring SBC's request to begin long-distance service.

**Californians spend more than \$38 billion annually for services from industries regulated by the PUC.**

#### **PUC Oversees Critical and Essential Services**

- **Electricity:** 10.476 million customers; \$17.054 billion in revenue; 32,698 miles of transmission lines; 239,112 miles of distribution lines; over 200 electric generation units
- **Natural Gas:** 9.735 million customers; \$7.621 billion in revenue; 9,365 miles of transmission lines; 92,452 miles of distribution lines
- **Telecommunications:** 41.890 million access lines; 16,491,142 wireless customers; 2,111,093 DSL lines; 60,824,666 numbers assigned; \$14.447 billion in revenue; 1,821 certified carriers
- **Water:** 6.8 million customers; 144 water and 12 sewer utilities; 20% of California's drinking water; \$800 million in revenue
- **Railroad Safety:** 10,385 miles of main/branch tracks; 16,016 pieces of railroad equipment; several thousand HAZMAT facilities; 11,200 public railroad crossings; 5,000 private railroad crossings

## Keeping the Lights On

The biggest electricity and natural gas crisis in California's history is not over. The state needs stable energy markets, reliable electricity and natural gas supplies, and adequate transmission systems. The PUC, which regulates 80 percent of electric load in California, is working hard to bring closure to the crisis and prevent another crisis from occurring. Major efforts include:

- Removing PG&E from bankruptcy (\$12 billion in debt remaining) without increases in rates or adverse environmental consequences.
- Improving Southern California Edison's credit rating.
- Pursuing refunds from generators – \$3 billion to \$9 billion.
- Implementing a recent natural gas settlement with El Paso, which would result in more than \$1.2 billion returned to California ratepayers.
- Continuing litigation to reduce rates by \$2 billion to \$4 billion under long-term power contracts with generators.
- Ensuring California Department of Water Resources bonds are serviced, ongoing costs covered (\$5 billion DWR Revenue Requirement in 2003).
- Establishing and enforcing the nation's first set of maintenance and operations standards for electric generation facilities (SB 39XX) that will allow the PUC to inspect power plants to prevent another energy crisis and the associated blackouts and price spikes.
- Continuing efforts to ensure sufficient natural gas interstate pipeline capacity is available to meet California demand.
- Representing California outside the state before the Federal Energy Regulatory Commission.

## Keeping Rates Down

The PUC sets electric, telecommunications, and water rates for business, agriculture, and residential consumers. To keep rates down, the PUC is:

- Conducting General Rate Cases for PG&E, Southern California Edison, SoCal Gas, SDG&E, Cal Water, CalAm, and Southern Cal Water. Collectively, these utilities are asking for \$1.2 billion in rate increases.
- Working to bring down energy rates that were increased during the energy crisis.

### Next Six Months Are Crucial

- **PG&E Bankruptcy:** PUC considering PG&E/PUC staff proposal to get PG&E out of bankruptcy.

- **Ensuring Utilities' Long-Term Energy Procurement:** Adopting utility procurement plans. Issues under review include build vs. buy; quantifying state's energy needs; ensuring renewable energy sources are utilized; keeping the lights on for a reasonable price.

- **Ensuring Generation:** Considering new power plant proposals: Edison and the Mountainview power plant, SDG&E and the Otay Mesa and Palomar plants.

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### Lowering Electric Rates

- PUC was forced to raise rates by 40% during the energy crisis
- PUC began lowering rates this year (Edison's rates lowered 19% in July 2003; PG&E, SDG&E rates still at highest levels)
- PUC currently completing energy proceedings affecting future rates and pursuing refunds from generators

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### Universal Service Programs

The PUC oversees telecommunications consumer programs including the California Lifeline Fund, California Teleconnect Fund, Deaf and Disabled Telecommunications Program, and California High Cost Funds, all of which provide much-needed services to the state's consumers and communities.

- Auditing utilities to reduce overstated costs.
- Overseeing programs funded by telephone surcharges totaling \$885 million to assure affordable rates and telecommunications services for more than 30 million Californians, funding 3.8 million rural access lines, assisting 4,200 community-based organizations, and providing 400,000 pieces of equipment for the deaf and disabled.

## **Rail Infrastructure and Safety**

The PUC oversees the safety of all railroads, six major rail transit agencies, five smaller transit systems, and over 16,000 public and private crossings. The PUC's specially trained and federally certified inspectors inspect all tracks (annually), all train equipment and facilities (semi-annually), investigate all rail accidents that result in loss of life and property damage, and ensure the safe transportation of hazardous materials.

## **Watching Out For Consumers**

The PUC is the only agency in the state charged with protecting private utility consumers. The PUC receives approximately 400,000 consumer contacts and 50,000 complaints to handle a year and is the main line of defense against consumer fraud and abuses such as slamming and cramming, utility overcharging, service cutoffs, and the targeting of low-income, non-English-speaking communities.

- **Telecommunications Consumer Bill of Rights (BOR)** - When adopted by the PUC this winter, the BOR may ensure, among other things, that residential and small business consumers have the right to clear and complete disclosure of terms and conditions of service; choice of telephone company; privacy of personal information; accurate bills; and the opportunity for remedies.
- **Telecommunications Enforcement** – Enforcement efforts against telecommunications utilities that engage in cramming, slamming, and other abusive marketing activities has generated \$66.1 million in fines and penalties since 2000. These fines and penalties are deposited in the state's General Fund.
- **Household Goods Carrier Enforcement** – Hundreds of household goods movers operate unlicensed and illegally, with many holding consumer property hostage until more money is paid, tripling estimates, and stealing property. The PUC is responsible for protecting consumers from this unscrupulous and illegal activity.

### **Rail Safety Oversight**

PUC rail accident investigations help determine the causes of accidents, thereby assisting in preventing future accidents. For example, on April 23, 2002, three passengers were killed and 181 injured when a Burlington Northern Santa Fe (BNSF) freight train failed to stop for a red signal and collided with a Metrolink commuter train. PUC investigators cited BNSF's inadequate safety oversight and the lack of an automatic train control system as contributing to the accident. PUC made safety recommendations to the NTSB and recommended over \$20,000 in penalties to the Federal Railway Administration.

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### **Cutting PUC Budget Hurts Overall State Budget**

- PUC is a Constitutional agency funded by user fees, not the state General Fund
- PUC budget funds are not available for general use
- PUC generates revenue for the state General Fund: levies fines, provides restitution for consumers
- PUC decisions are critical to economic recovery: rates for business and industry must be brought down; small customers need protection

The PUC has initiated two critical inter-agency enforcement efforts against household goods carriers that fail to comply with workers' compensation laws or PUC licensing requirements. The PUC has joined the Employment Enforcement Task Force to eliminate an "underground economy" that exists in the moving industry when licensed moving companies fail to secure workers' compensation or pay employment taxes for their employees. The PUC has also created a task force along with the California Attorney General and Los Angeles City Attorney to conduct undercover "sting" operations on unlicensed movers throughout California.

- **Ensuring High Quality Utility Service** – The PUC is responsible for ensuring that utilities provide reliable, high quality service to all of their residential and business customers. In telecommunications, the PUC is now updating its standards for timely installations, repairs and for access to a live service representative. The PUC reviews service quality for energy and water utilities as part of the regular rate cases (usually every three years). In addition, the large energy utilities are subject to performance incentives that offer rewards for above-standard service and penalties for substandard service.
- **Water Quality** - Most California water systems have been in existence for over 50 years. New water contaminants are being discovered, making the PUC's job of authorizing health and safety clean-ups and treatment facilities crucial. The PUC works with the utilities and consults with the Department of Health Services and the California Department of Water Resources to develop usable water sources and identify reasonable funding to provide potable water at reasonable rates to the 6 million Californians that the PUC-regulated water utilities serve.